

Message Text

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ORIGIN ARA-10

INFO OCT-01 ADP-00 SS-14 INR-10 EB-03 L-02 RSC-01 /041 R

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE PRIORITY

C O N F I D E N T I A L STATE 158284

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E.O. 11652: N/A

TAGS: ETRD, PINT, CS

SUBJECT: IDB ASSISTANCE IN CEMENTOS DE PACIFICO STUDY

REFERENCE: SAN JOSE 2808

1. CEN TALKED TO K. GUNTHER AND B. KRAUSS, DEPUTY AND ASSISTANT, RESPECTIVELY TO U.S. EXECUTIVE DIRECTOR JOHN PORGES WHO IS ON VACATION.

2. ACCORDING TO GUNTHER AND KRAUSS, IDB BOARD'S POLICY IS THAT WHERE THERE IS A PREINVESTMENT LOAN IN EXISTENCE--SUCH AS THE \$2.3 MILLION LOAN TO COSTA RICA SIGNED LAST OCTOBER-- TECHNICAL ASSISTANCE OF THE TYPE INVOLVED HERE SHOULD BE FUNDED UNDER THAT LOAN. THEY ALSO TOLD US, IN CONFIDENCE, THAT A LETTER SETTING OUT THIS POLICY AND INDICATING IDB APPROVAL OF USE OF THE LOAN FOR THE CEMENT STUDY WAS AWAITING SIGNATURE OF HENRY COSTANZO. THEY SAID THAT THIS FACT (I.E., THAT COSTANZO HAD THE REQUEST FOR ACTION) HAD BEEN COMMUNICATED TO THE COSTA RICAN EMBASSY HERE PURSUANT TO ITS REQUEST FOR A STATUS REPORT AND SPECULATED THAT THIS MAY BE THE SOURCE OF THE RUMOR ABOUT THE U-S. EXECUTIVE DIRECTOR.

3. IN FACT THE BOARD OF DIRECTORS HAS NOT BEEN INVOLVED IN
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THIS MATTER, SINCE TA REQUESTS FOR LESS THAN \$50,000 ARE

HANDLED BY THE PRESIDENT UNDER HIS OWN AUTHORITY. IF IT IS HELPFUL YOU MAY PASS THIS TO ZUNIGA WHO WAS NEVER MENTIONED IN OUR CONVERSATION.

4. SUSPECTING THAT ZUNIGA REALLY IS SEEKING THE COVER OF IDB REGULATIONS TO PROTECT HIMSELF AGAINST POSSIBLE PRESSURES IN THIS MATTER, WE INQUIRED WHETHER BANK WOULD REVERSE ITS NORMAL PROCEDURE, IF REQUESTED, AND SUBMIT TO BORROWER A SELECT LIST OF ELIGIBLE CONTRACTORS. FYI: NORMAL PROCEDURE IS FOR BORROWER TO SUBMIT LIST TO BANK FOR ITS APPROVAL. KRAUSS STATED BANK DIDN'T LIKE TO DO THIS SINCE IT SUBJECTS THEM TO POSSIBLE WRATH OF POTENTIAL CONTRACTORS NOT INCLUDED, BUT THAT THEY COULD.

5. IT IS OUR UNDERSTANDING THAT BANK ALSO MUST APPROVE SCOPE OF WORK OF STUDY. ROGERS

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